

Co-operative Energy Ltd

Consumer Energy Aggregation

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Purchasing Project**

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Aggregation Philosophy

Consumers form co-operatives to protect themselves and advance their own interests – aggregating their individual purchasing power.

This philosophy of aggregation as a means of consumer self-empowerment has been expressed in the following resolution electric co-operatives in the USA have adopted on an electric energy consumer bill of rights at the 57th Annual Meeting of the National Rural Electric Cooperative Association in March 1999:

1. The right to have access to reliable, affordable and safe electric power. The availability of reliable, affordable and safe electric power is a necessity for life issue, as well as an important factor that drives the country's economic engine. Consumers have a right to expect reliable, affordable, and safe electric power. Consumers have a right to expect uniform standards of electric power across the country as they travel or move. Each sector of the electric utility industry is different: each is structured differently, financed differently and, aside from the provision of electric service, organised for different purposes. All electric utilities receive federal assistance and the form of federal assistance is different for each sector. In an era of competition, consumers should expect to have many choices. However, all energy providers should have the obligation to provide reliable, affordable and safe electric power. The obligation of lawmakers is to recognise the differences among electric utilities and to treat them differently in legislation.
2. The right to join together to establish and operate a consumer-owned not-for-profit electric utility. Current consumer protection depends on government regulation, local service territories, and voluntary cooperation among thousands of utility systems are allowed to become huge combines remote from local consumers, and where energy providers are free to choose the customer class that provides them the most profit, consumers must have a way to protect themselves. All electric consumers must have a way to protect themselves. All electric consumers must have the right to join together to establish and operate a consumer-owned electric system to provide themselves with electricity according to their own needs.
3. The right of consumer-owned not-for-profit systems to be treated fairly and recognised as a unique form of business. Electric cooperatives (co-ops) are independently owned business enterprises incorporated under the laws of the state in which they operate. Electric cooperatives are owned and controlled by the consumers they serve. The co-op difference resides in consumer ownership and control. Thus, for co-ops to be treated fairly by government regulation, they must be recognised as a unique form of business, different from investor-owned or community-owned systems. As recognised by the federal courts, since the consumer owns the cooperative, there is no motive for the cooperative to mislead, cheat, overcharge or act in any way that is not in the consumer-owners' interests.

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4. The right to elect representatives to manage their consumer-owned forms of business to best meet their needs. Electric cooperative consumers (members) participate in the operation of the co-op by electing a board of directors from among its co-op consumers to establish the co-op's basic policies, goals and strategies, as well as to determine the rates and types of service(s) they wish to receive. In a competitive environment, consumer-owned and controlled cooperatives will be a more discipline in the marketplace and a more important force for innovation as long as local ownership, local control and local autonomy are not abridged through unnecessary government regulation.
5. The individual right to privacy that assures information about consumers will not be released without their prior express consent. Historically, consumer-owned cooperatives have advocated levels of information disclosure beyond industry standards but necessary for judging the performance of utility systems. Recently, however, discussions on energy policy have included the idea that utility systems should be required to collect and divulge extraordinary consumer specific information. Consumers should have the right to determine how information collected about them is used. Consumer-owned cooperatives should not be required to collect or to divulge consumer specific information.
6. The right to determine the scope of energy services to be furnished through their consumer-owned not-for-profit utilities. In a competitive environment, consumer-owned cooperatives, with their local ownership, local control and local autonomy provide a fast, efficient and flexible way for consumers to address their needs.
7. The right to use consumer-owned not-for-profit utilities to provide additional services that meet the needs of their consumers and communities. All electric consumers must have the right to join together to establish and operate a consumer-owned electric system, if they so choose. In addition, consumers must retain the right to use their cooperatives as a means to meet their needs and expectations over time.
8. The right to work in cooperation with other consumer-owned entities with common goals. Consumer-owned cooperatives should be able to work together to provide a countervailing balance of power in the marketplace to the huge investor-owned combines that are likely to result from deregulation. Consumer-owned cooperatives should be able to work together to provide an open window into the operation of a competitive electric market for all consumers. Consumer-owned, not-for-profit cooperatives should be able to work together to provide a 'yardstick' by which all consumers can measure the performance of the market and market participants.

This consumer bill of rights is centered on consumer self-empowerment – not consumers being protected by the enlightened self-interest of others. Enlightened self-interest is relevant but not as an alternative to self-empowerment. This philosophy has been expressed by Leo R. Ward in Nova Scotia Land of Cooperators: " The great problem in Nova Scotia, and anywhere for that matter,

is not to save people, but to get people to save themselves. Rescue work has to be done even among the primary producers: the miners, the farmers, and the fishermen; and this work must be done not only along with the people, but mainly and fundamentally by the people. And what the originators of the Antigonish movement thought and what they found out for sure is that the people can do it."

Individual small consumers have limited bargaining power in the market because of their comparative low volume requirements for goods and services compared with large consumers.

Small consumers, however, could aggregate their numbers and volumes to achieve bargaining power. And this is why small consumers have formed co-operatives since the 19thC.

Aggregation is a critical condition for consumer protection. Aggregation is the combination of multiple users of energy into a purchasing group to achieve bargaining power for the group.

The New South Wales Independent Pricing and Regulatory Tribunal (IPART) has argued that the issue of bargaining power is crucial for small consumers and has noted how high-volume consumers are in a far better negotiating position because of:

- High-volume consumers are able to devote considerable resources to researching their legal rights and obligations in the contestable market, exploring alternative energy options, and assessing the conduct of the negotiation process.
- For high-voltage customers it is more likely that the energy savings gained by entering the contestable market will outweigh the costs of entering the contestable market, such as administrative and metering costs. For low-volume customers this will depend on the market structure that is implemented.
- The strong bargaining position that some high-volume customers enjoy, particularly where a customer forms a large proportion of a retailer's revenue base and where that customer has other energy options.

The importance of aggregation to small consumers is well accepted in the USA where it is recognised that aggregation is the prerequisite to small consumers securing market leverage.

Consumer Protection & Aggregation

The importance of aggregation to small consumers is recognized by consumer advocates in the USA whose advocacy has gone beyond consumer protection legislation and regulation. These consumer advocates have developed a sophisticated understanding of consumer empowerment.

The Utility Consumers Action Network (UCAN) has argued that the California Public Utilities Commission (CPUC) should recognise the inexorable link between consumer protection and consumer aggregation and that it should work to aggregate small consumers: "The consensus among industry and consumer is that small consumers will need to be aggregated in order to gain adequate market leverage. Absent aggregation, these customers would fare poorly. This conclusion is not surprising; as seen in insurance, banking and other complex services, aggregation of small customers minimizes transaction costs and increases market leverage." UCAN has suggested that the CPUC "can assist municipalities and other public agencies who seek to create cooperatives offering electric or phone services."

In 1995 the Tellus study was commissioned by UCAN and seven USA consumer organisations that were concerned about the restructuring of the electric industry and its impact on small and low-income consumers:

- CalNeva
- Consumer Action
- Consumer Federation of California
- Consumers First
- The Greenlining Institute
- Latino Issues Forum
- TURN
- Utility Consumers' Action Network

The Tellus study concluded that: aggregation of small consumers was necessary "Because most individual residential customers will not benefit unless they have real-time metering capability, other cost –effective ways must be found to ensure that all customers have the opportunity to benefit from electric industry restructuring. The most likely means identified are:

- (a) The automatic aggregation of small consumers by entities whose sole objective is to maximize the benefits to those customers.
- (b) The aggregation of individual customers who wish to make choices in the marketplace by private marketers, brokers and aggregators."

The Tellus study supports automatic aggregation and the arguments for this apply to all forms of aggregation:

- 1) Competitive forces will be inadequate to protect most small consumers from cost shifting or to ensure that consumers get a fair share of benefits in an unregulated market.
- 2) Economies of scale could be used to benefit consumers. Decisions regarding distribution of those benefits should be made locally controlled government entities.
- 3) There are some environmental and energy efficiency collective benefits that may be lost if individual decisions are the only method of pursuing these benefits.

4) Transaction costs can be reduced by automatic aggregation.

The Montana Legislature has passed a law for the formation of co-operatives to purchase power for small consumers. On the basis that this would enhance "the chances of securing for small customers the greatest amount of electricity at the least cost from the federal power system." Every State in the USA allows for aggregation. In New Jersey there has been an instructive debate on the importance of aggregation. The Director of the New Jersey Division of the Ratepayer Advocate, Blossom A. Peretz, has been advocating that municipalities should be allowed to aggregate their residential and commercial loads. This has been opposed by the utilities in New Jersey.

The USA Regulatory Assistance Project has also observed that aggregators reduce transaction costs for small consumers and are able to put together innovative and/or highly customised packages in ways that current suppliers cannot.

A Working Group on Vermont's Electricity Future has supported aggregation in recommending:

- Rules and mechanism should be put in place to facilitate aggregation of customers, especially for smaller residential and commercial customers.
- Where customers wish to voluntarily aggregate, including through municipal entities, the barriers to such aggregation must be identified and remedied as part of the initial restructured market design.
- Consumer cooperatives able to aggregate are already under study in parts of Vermont.

USA consumer advocate Barbara Alexander has recognised in her Retail Electric Competition: A Blueprint For Consumer Protection that aggregation is an option for consumers. She suggests that both customers and power suppliers may benefit from aggregation:

- Low-use residential and small business customers may not benefit from direct access because their usage characteristics coupled with a lack of advanced metering systems, may make them expensive to serve. Marketing costs to reach and consummate deals with these customers may exceed profit potential on electricity sales alone, unless the volume of sales is high. On the other hand, if a power supplier can negotiate one sale with an entity that represents a large group of customers with a similar energy profile, without incurring upfront marketing costs, lower prices may result.
- If Default Service is based on the market price or is priced below market rates by regulators, individual residential customers may not find energy any cheaper in the market place. However, an aggregator may be able to offer other valuable services and products, such as energy management or even telephone service, in a package deal that is desirable to customers.

- Aggregation may improve the market power of residential and small business customers. The aggregator that can deliver a significant energy load can bargain for a lower price and enhanced energy management services on behalf of group members.
- Aggregation may also be an important tool to achieve a state's Universal Service goals. In general, low-income consumers use less energy than other residential customers. Furthermore, while most low-income customers do pay their bill, a high percentage of low-income customers cannot pay their electricity or gas bill in a timely manner because of its significant impact on household income (over 20% for some customers with higher-use and very low household income). Therefore, it is likely that low-income customers may need more customer service support, or carries a high risk of bad debt expense. Whether low-income customers should be the focus of aggregation efforts or whether they are better off in general as part of the residential class is a hotly debated topic among customer advocates. However, there is little debate about the notion that if suppliers do not market to residential customers in general, low-income customers will most likely be ignored.

Health Aggregation

Another USA consumer advocate, Roger D. Colton has also recognised the link between consumer protection and aggregation. Colton argues, "purchasing co-operatives are one essential component of controlling costs and promoting universal service in a competitive industry."

Colton provides 11 points drawn from his analysis of purchasing co-operatives in health care:

- Aggregating consumers through purchasing cooperatives is a viable mechanism to address the lack of market attractiveness for certain classes of customers. While in the health care field it may be small users (such as small business and even local governments), in the electric industry it will likely be residential consumers who face exclusion.
- Pooled cooperative purchasing is not a market-driven phenomenon. The formation of purchasing co-operatives requires specific public policy support; specific publicly funded technical expertise, and specific publicly funded administrative support structures. The successful health care purchasing co-operatives in places such as California, Wisconsin, Florida, and Minnesota were all public initiatives.
- The exclusive purpose of consumer aggregation is not simply to "become big" so as to wield market power. The purposes of a purchasing cooperative might include, either additionally or alternatively: (a) the socialization of the costs of expertise; and/or (b) the spreading of risks and/or administrative costs. A co-operative might serve a good broker function, a countervailing power function, or a risk/cost mitigator function.

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- Determining the purpose of a consumer aggregation initiative is important in that such decisions will drive; (a) what tasks the purchasing co-operative will perform; (b) what powers the purchasing co-operative will be vested with; (c) what expertise the purchasing co-operative will need to acquire; and (d) what resources the purchasing co-operative will need. In all cases, however, "being big" is not, by itself, enough to protect consumer interests. Just because an aggregator is big (e.g. a municipality or a pool of public employees), does not mean that the aggregator will have experience and/or expertise in evaluating cost proposals from competitive service providers, in determining the service needs of the aggregated consumers and matching those needs to service offerings, or in assessing service quality data (either before or after-the-fact).
- Whatever its stated function, aggregation requires an array of specialized expertise. In the health care field, specialists skilled in assessing the price of service offerings have been necessary. Difference specialists in evaluating service offerings are employed. After all, it is not the lowest price which is sought, but rather the best buy. Administrative staff, as well as marketing staff, are necessary. The legal, technical and administrative staff necessary for effective aggregation is not provided by volunteers for ad hoc consumer groups. There is a need for an institutional structure.
- Aggregation does not occur at the micro level. Effective aggregation is not built on dozens, or hundreds, or even thousands of persons. Effective aggregation has required tens and hundreds of thousands of customers.
- Aggregation without negotiation is not an effective means of generating consumer benefits. The lack of negotiation might, for example, occur through the solicitation of sealed bids. Negotiation requires the evaluation of price and service offerings, the preparation of counter-offers, and the solicitation of "best and final offers." The negotiation occurring through aggregation requires not only the solicitation of price quotes, but the ability to review the proffered justification for those price quotes.
- Negotiated aggregation is an effective mechanism through which to control prices. The procurement of services through negotiated aggregation has resulted in health care costs of from 15 to 30 percent or more below market rates. In addition to forcing down aggregated prices, negotiated aggregation forces down overall prices as well, albeit to a lesser extent, whether or not offered to an aggregated group of consumers. Aggregation without negotiation, however, has failed to control costs or gain below-market offerings.
- Despite price reductions obtained through negotiated aggregation, service offerings remain unaffordable to a substantial proportion of the population. Even effective aggregation is not "the" answer to unaffordability and the lack of universal service. In California's small business health insurance market, only 20 percent of HIPC customers had been previously uninsured. Nationwide, 75 percent of business with fewer than ten employees do not offer health insurance, while less than two percent of businesses with more than 100 employees fail to do so. Even after aggregation, service will remain

unaffordable to substantial numbers of customers. This unaffordability requires separate policy responses.

- Aggregation that focuses exclusively, or even too narrowly, on price may, in fact, harm consumers. Focusing on price to the exclusion of service considerations may limit the range of service offerings, as well as reduce the quality of service to inappropriate levels in both the short and long-term. While health care cutbacks may involve reductions in preventative services as well as high cost/low compensation services such as care for TB, AIDS or alcohol abuse, electric utility service cutbacks may involve reductions in energy efficiency programs, neighborhood offices, or the offer of various payment plan options.
- Aggregation, standing alone, does not address the problem of adverse selection (i.e. that process of choosing to serve only the least cost, least risky, consumers). Excluding high cost or high risk customers may occur in the design of an aggregation pool (e.g. if done geographically, excluding low-income communities), in the pricing of services, and in the design and implementation of marketing plans. Public policies restricting adverse selection are necessary but not sufficient. In addition, purchasing cooperatives must engage in ongoing effective oversight by administrators of the aggregation initiative.

The Consumer Federation of America does support co-operatives as a natural form of consumer protection. The Federation has published a brochure on the co-operative difference that argues, inter alia, cooperatives are successful because they provide valuable services and save consumers money and that the central principle of consumer cooperation is member control and participation.

Aggregation in Practice

Three examples of energy aggregation are summarized – by electric co-operatives, local government and trade unions. Each example illustrates the practice of aggregation of purchasing power to achieve the benefits of cheaper prices and improved services that are not achievable by the individual – whether an individual resident, farmer trade unionist or local government.

Electric Co-operatives

Electric co-operatives were originally formed by citizens in the USA when the investor-owned power companies would not provide power to rural communities. Today, there are 934 electric co-operatives throughout the USA:

- Owning and maintaining more than half the electric distribution lines in the US
- Serve 30 million consumers.
- Serve in two-thirds of the 3,136 U.S. counties
- Serve 10.8% of the nation's population
- Account for 7.4% of kilowatt-hours sold

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- Account for 5% of the electricity generated by the electric utility industry
- Serve an average of 5.8 consumers per mile

Many electric co-operatives are involved in community development projects e.g. improvement of water and sewer systems, assisting in the delivery of health care, facilitating educational services and business development. In 1986 the National Rural Telecommunications Co-operative was established to foster the development and growth of satellite technology in rural America. In 1987 the National Rural Health Network was established to promote healthy lifestyles and reduce risk for disease in rural communities.

In recent years, there has been a new development with the formation of new energy co-operatives in the USA. The California Electric Users Co-operative was incorporated in November 1997. CEUC is a co-operative whose members are agricultural co-operatives. The co-operative operates as a broker and has 500 members representing 3000 accounts. Membership is restricted to milk producers, growers and processors. As a volume purchaser CEUC receives a 3% discount – 2.5% for members and .5% for administrative costs.

In October 1997 the 1st Rochdale Cooperative Group Ltd was incorporated in New York City, New York. The Mission of the co-operative is to:

- Lower members' total energy bills through comprehensive energy management
- Develop energy conservation and generation strategies and renewable energy sources
- Deliver state-of-the-art telecommunications services

Established by a group of housing co-operatives, the co-operative currently serves New York City and Westchester County with service to be expanded to Long Island and Metro New Jersey.

1st Rochdale is the only urban member of the National Rural Electric Cooperative Association. 1st Rochdale has also joined forces with electric co-operatives and other consumer-owned organisations in New England and upstate New York to create Cooperative Pioneers – an association that will be able to achieve strong economies of scale for the aggregation of energy services.

Local Government

The California Energy Commission has evaluated the various aggregation options for rural local governments and their residents. The evaluation concluded that: "Combining many customers' loads into a buying pool provides the opportunity for a lower price of electricity. Aggregation can possibly achieve lower prices by using (1) market power and (2) diversity power. Market power is the power to negotiate for lower electricity prices by buying in bulk, compatible to buying in a club or discount membership store. Diversity power is the combining

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of customers with different electric use patterns into a more attractive pattern that does not change over the day." The Energy Commission also considered options for aggregating consumers:

- Municipalization – working through local governments
- Muni-lite
- Aggregation of Government loads in a single county
- Community Aggregation of all customers
- Multi-Agency/County Aggregation
- Community Energy Authority

The Cape Light Compact was formed in 1997 to protect the interests of consumers. The Compact is a co-operative effort of Barnstable & Dukes counties and 20 towns on the Cape and Vineyard.

In 1989 in Victoria local governments, water boards and foreshore committees established a shared services co-operative – Purchasing Victoria Co-operative Ltd (PVC). PVC was formed to co-ordinate the appointment of preferred suppliers of goods and services commonly used by its members e.g. energy. In 1998 PVC reinvented its name as Co-operative Purchasing Services Ltd which the co-operative says describes what we do - co-operative purchasing services.

Trade Unions

In the UK the Trade Union Congress has established Union Energy – to give union members the best possible deal on gas and electricity in the competitive market.

Under Union Energy there is a guaranteed savings, an annual discount for joint gas and electricity customers, credit for gas and electricity in case of redundancy and 24 hour.

Co-operative Energy Ltd has raised the issue of energy purchasing with trade unions.

Conclusion

Small consumers can be best protected in the energy market through aggregation. Individual small consumers have limited bargaining power. By aggregating their numbers and volume, however, small consumers can achieve bargaining power – purchasing energy and obtaining improved services at a cost that is less than the cost for the individual purchasing individually.

There is no barrier to the establishment of a co-operative. It is a viable means of achieving resource savings and cost-efficiency. Co-operatives do work but ultimately their success depends on their members who will determine the continuing relevance and future of the co-operative.

Further Reading

Alexander, Barbara R **Consumer Protection Issues in Electric Restructuring For Colorado: A Report to the Colorado Electricity Advisory Panel**, February 1999

Updates state activities regarding consumer education and disclosure policies, obligation of service and default or basic services, credit and collection regulations, affiliate transaction policy, the regulation of competitive energy suppliers, aggregation and enforcement and jurisdiction.

Alexander, Barbara **Retail Electric Competition: A Blueprint for Consumer Protection**, U.S. Department of Energy, October 1998

Extensive review of consumer protection issues: (a) consumer education and disclosure policies – consumer education, shopping for electricity, what should be disclosed (b) Consumer protection and public purpose programs – obligation to serve, default service, assuring reliability of service, universal service programs, credit and collection policies and customer privacy. (c) State regulation of competitive energy suppliers – the rationale for State consumer protection regulation, existing State and Federal consumer protection, definition of services subject to competition, licensing criteria for suppliers, disclosures, regulation of credit practices, regulation of contract terms and regulation of unfair trade and marketing practices. (d) The many faces of customer choice: Aggregation and Group Buying Power – consumer benefits from aggregation, barriers to effective aggregation, consumer energy cooperatives and a note on the muni-lite concept. (e) The new consumer protection role: jurisdictional and enforcement implications – jurisdiction of the State Utility Commission, access to books and records and enforcement tools, the role of the consumer advocate and the role of the State Energy Office.

Alexander, Barbara **Consumer Protection Proposals for Retail Electric Competition: Model Legislation and Regulation**, October 1996

Association of Bay Area Governments (USA) **Request For Proposals Electric Program Billing Agent Services**, 3 August 1999

ABAG Power is inviting proposals for electric program billing agent services – ABAG Power description and background, project description including background and number of accounts, general description of billing agent responsibilities, proposal submittal requirements, evaluation criteria and selection process, questions for submittal of proposal and general conditions.

Association of Bay Area Governments (USA) **News Release: ABAG Power Delivers Green Energy to Cities and Counties in Northern California**, 4 August 1999

Announcement of agreement to provide "green power" to 59 members. Green power is now 10% of energy produced in California.

Association of Bay Area Governments (USA) **About the Power Purchasing Pool**

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Background information – what is ABAG? What is ABAG's Power Purchasing Pool? Who is eligible to join ABAG's Power Purchasing Pool? What level of commitment is required to join? What range of services will the pool offer? What are the benefits of participating in the ABAG Pool?

Association of Bay Area Governments (USA) ABAG Power Goes Green Electric Pool Offers Renewable Energy to Members **Power Matters**, Summer 1999, No 8, p 1

Reports on agreement with Calpine Corporation to provide renewable power to ABAG Power members – history of the program and how the program works.

Association of Bay Area Governments (USA) Gas Program Savings Continue; Electric Program Changes Billing System **Power Matters**, Summer 1999, No 8, p 2

Reports on ABAG Power's third year of a natural gas program – providing total savings of 5% to its 44 participating members in 1998-99 compared with 2% in 1997-98 and 7% in 1996-97. Participating members received a specific savings report that includes a monthly analysis of gas consumption. Points out that the program also provides price stability. Also reports that electric billing is to change from levelized to actual billing.

Association of Bay Area Governments (USA) Electric Pool Completes Its First Year Gas Pool Savings Beat PG&E, **Power Matters**, Winter 1999, No 7, pp 2 – 3

Reports that 59 agencies are members of the electric pool – representing 5800 accounts. Notes two implementation lessons – make short-term energy purchases and simplify the bill. Notes that gas pool has achieved moderate savings of 2.1% in 1997-98.

Boudreaux, Greg Industry Restructuring Update **Management Quarterly**, Fall 1998, pp 2 – 9

Focuses on six key issues: What have been the drivers of wholesale and retail competition, and how do these two concepts differ? What lessons can be learned from retail wheeling activities in the states? What's happening in the power marketing business, and how does that relate to the price hikes this summer in the wholesale market? What strategies are being implemented by investor-owned utilities? What are the prospects for national restructuring legislation? What are electric cooperatives doing to prepare for competition?

Cafferky, Monica "Wind farm plan to save a way of life" **Co-operative News**, 14 September 1999, p 10

Three Welsh farmers have formed a wind co-operative: Fair Wind Company. Electricity generated will be enough to power nearly 1500 homes. Cost will be 2 million pounds. by three wind turbines Co-op will have three types of shares – employee, community and corporate.

California Energy Commission **Report on the Development and Organization of the California Electric Users Cooperative**, April 1998

Report on the development of the California Electric Users Co-operative – history, organizing process and formation.

California Energy Commission What Electricity Restructuring Means for Rural California Counties, P300-98-011, July 1998

An evaluation of the various aggregation options to acquire lower cost generation services for small rural counties, their governments and residents – based on the Commission's energy consumption database and information provided by county governments, the California Public Utilities Commission and electricity service providers. Considers what is aggregation, rules for aggregation, costs and benefits of aggregation and aggregation options – municipalisation, muni-lite, aggregation of government loads in a single county, community aggregation of all customers, multi-agency/county aggregation and community energy authority.

California Energy Commission New Options For Agricultural Customers: California's Electric Industry Restructuring, P400-97-005, June 1998

Summarises changes in California's electric industry and discusses four basic options available to farmers with a discussion of advantages and disadvantages – remain a customer of the present utility, choose a new electricity provider, become an irrigation district customer and switch some activities from electricity to a different form of energy. Option of new electricity provider includes aggregation. Energy management is also advocated as overriding additional option to cut production costs.

Can We Get There From Here? The Challenge of Restructuring the Electricity Industry So That All Customers Can Benefit White Paper on Electric Utility Restructuring

- Chapter Summaries
- Executive Summary
- Full Report
- Report Summary

1995

An examination of how small business and residential electric consumers can benefit from the restructuring of the electric industry in California – the technology, costs and applicability of RTP to residential consumers, residential consumer usage patterns and their potential for load shifting; marketing electricity services to small consumers – methods, factors and circumstances and the role of consumer education and protection; aggregation of consumers and various forms of aggregation; the likely costs and benefits to small consumers of RTP, retail wheeling and aggregation under different scenarios.

Cape Light Compact News Release: Cape Light Co Pact Seeks to remove Parties blocking power contract, 7 July 1999

Report on two organisations that are attempting to block the compact's negotiations with a power supplier – National Energy Choice and the Massachusetts Municipal Association.

Cape Light Compact RE: Request For Proposals For Power Supply, 29 January 1999

Invitation for proposals to provide power to an aggregated customer group in 20 municipalities on Cape Cod and Martha's Vineyard. Includes general provisions – inquiries, proposal submission fee, proposal submission date, additional information, form of proposal and number of copies, terms of submission, general description of the request for proposals, proposal format, evaluation of power supply proposals, selection of power supplier and contract administration.

Cape Light Compact Cape Power savings at risk (Susan Milton), Cape Code Times, 8 July 1999

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Reports that a power struggle for the electricity market on Cape Cod threatens to unplug plans to discount power for consumers and that if delay continues Compact may lose its negotiated discounts. Discusses what is behind the dispute.

Coady, M.M. **Masters of Their Own Destiny**, Harper & Brothers, 1939

The story of the Antigonish co-operative movement and the role of St. Francis Xavier University in Nova Scotia, Canada – the great default of the people, starting with mass meetings, the spread of adult education, development of consumers' cooperatives, the significance of credit unions, cooperative marketing movements, the economic approach in adult education, cooperation in our social blueprint and cooperation and religion.

Colton, Roger D **Electric Restructuring and the Low-Income Consumer**, Fisher, Sheehan & Colton, April 1999

Prepared for Colorado Electricity Advisory Panel, Colorado General Assembly. Section 1 Background Information – Socio-Economic Characteristics, existing low-income fuel assistance and the impacts of electric restructuring. Section 2 Potential Legislative Responses – price protection responses to low-income concerns and market responses to low-income concerns. Price protection responses – impact assessment, quality of service metrics, phase-in of choice, non-discrimination, cap the gap and ancillary fees. Market responses – low income aggregation: strong community choice, State Purchasing Pool and assistance in aggregation.

Colton, Roger D. **I/M/O Requiring Reports and Actions Relating to Independent System Operators, Regional Power Exchanges and Retail Access Pilot Programs Case No. PUE989138, Comments of VMH Inc**, Fisher, Sheehan and Colton, April 1998

Identifies elements that are regarded as a necessary component of any retail access program – each pilot must encompass a cross-section of customers that is representative of the overall customer mix in each utility's service territory, each program should incorporate an equal access funding mechanism, the direct access pilot projects should test an assistance in aggregation program, the Virginia direct retail access programs should test a reinsurance facility approach to serving customers perceived to be high risk, the Virginia direct retail access programs should have an adequate consumer education initiative, local distribution utilities should not be one of the suppliers in the pilots, rather than using a sign-up system to identify customers who have a desire to participate in the pilot (with a lottery used in the event of over-subscription), a small user pilot should be pursued on a geographic basis and any pilot program must operate as much like the competitive market would be expected to operate as possible.

Colton, Roger D **Consumer Aggregation and Sophisticated Purchasing: Electric Restructuring Lessons from the Health Care Industry**, August 1998

Discusses health care aggregation and its relevance to the electric industry – health care and the hard-to – serve consumer, the rise of the health care co-op model, purposes of the purchasing co-operative – socializing the costs of expertise, socializing risks and spreading costs and the acquisition and exercise of market power. Provides examples of health care co-operatives and concludes with health care lessons learned for consumer aggregation in a restructured electric industry.

Colton, Roger D **Electric Utility Restructuring and the Low-Income Consumer**

- **Facts on File No 15: What's a "consumerco"?**, October 1997 The Consumerco aggregation proposal – purpose, services, basic approach, co-op nature, previous co-op initiatives such as health purchasing alliances and credit unions. Concludes that through Consumerco low-income

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consumers will be able to minimise their total home energy bills and obtain a voice in the operation and management of the energy service provider.

- **Facts on File No 13 Lessons from Other Industries, October 1997** Low income advocates concern that competition will impose higher costs and lesser service on low-income users. The experience of other industries where this has occurred is briefly summarised – banks, automobile insurance, telecommunications, health and property insurance. Concludes the essential characteristic of the market is that it allocates goods and services on the basis of ability to pay rather than need for the service.
- **Facts on File No. 10 What's at Risk: The Anticipated Impact on Consumer Protection, October 1997** Considers the impact of restructuring on consumer protection issues old and new as well as on the regulatory framework – the reliance on service disconnections, consumer shutoff provisions, billing disputes and inquiries unfair marketing, payment disputes and regulatory jurisdiction. Argues that restructuring will create significant consumer protection issues and a likely cutback in procedural protections.
- **Facts on File No 6 What's at Risk? Will Competitors Seek out the Poor? October 1997**, Argues low-income households are not well positioned to take advantage of competition in the electric industry – the problem of size, those dinnertime phone calls and what's happened before. Concludes low-income consumers do not have the market power to attract competitive attention to bring the benefits of competition to them.
- **Facts on File No 4 Different Types of Competition: What is Being Proposed?, October 1997** Identifies and discusses two different types of competition – retail competition and wholesale competition. Identifies two reasons for wholesale competition – generation and technological advances.

Consumer Federation of America **The Cooperative Difference Consumers Helping Themselves to Meet Needs and Save Money**

Briefly explains the co-operative difference – consumers co-operatives are businesses which belong to the people who use them, co-operatives are successful because they provide valuable services and save consumers money and the central principle of consumer cooperatives is member control and participation. Briefly describes examples of consumer co-operatives – credit unions, utility cooperatives, housing co-operatives, food cooperatives, nursery school and childcare cooperatives and health care cooperatives.

Co-operative Federation of Victoria Ltd

- **Co-operatives and Public Policy, 1998**
- **Shared Services Co-operatives For Community Agencies, 1998**
- **The Co-operative Model, 1998**

Ellis, Mark **NORCO Energy Co-operative Feasibility Study Final Report**, The NSW Sustainable Energy Development Authority (SEDA) & The NSW Department of Fair Trading, December 1997

Exploration of whether energy co-operative is financially viable. Examines the financial viability of establishing energy co-operative in Lismore, New South Wales. The potential membership of the co-operative is drawn from Norco co-operative, Norco members, major energy users in the area and local households in the Lismore area.

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Ist Rochdale Cooperative Group Ltd **Ist Rochdale Record**, Volume 1 Issues 1 – 4, 1998 - 1999

Haag, Ed Utility deregulation Cooperatives are one option to keep power costs under control, **Farm Journal Today**, 1999

Reports farmers are worried about the impact deregulation of public utilities and that it will bring higher power rates and lower the quality of service. Notes NRECA comments that deregulation has boosted new power-buying co-operatives that are achieving savings of 2% - 5% for their members. Refers to experience of California Electrical User's Cooperative that has 500 members and has achieved a 3% discount with 2.5% to members and .5% for administrative costs.

Independent Pricing and Regulatory Tribunal of New South Wales
Contestability For Residential and Other Low Use Electricity Customers
(SRC International Pty Ltd), December 1998

Explores a range of issues surrounding the introduction of competition into the electricity market for residential and other low use electricity consumers. The key focus is to identify potential barriers facing small consumers. Issues considered include – the usage of deemed load profiles versus half-hour meters, market design issues, incumbent advantages and cost-benefits to competition. Argues there is no obvious or correct retail contestability solution, there are a considerably greater number of metering and settlement issues, profiling is not necessarily a low cost option, customer inertia is expected to contribute to low numbers of customers changing retailers, an initial cost-benefit assessment indicated that initially there may be no significant net benefit to the average residential consumer from competition and that further investigation is necessary of meter/profile and other market design issues and costs.

Iowa Utilities Board **Universal Service Emerging Competition in the Electric Industry**, Docket No. NOI-95-1, A Staff Analysis, March 1999

An analysis of four issues – end use consumer access to service, provider of last resort, consumer protection and low-income assistance programs. Includes a summary of USA Federal and State Government activities – universal service, security deposits, late fees, switching fees, obligation to connect, disconnection and reconnection provisions, provider of last resort, consumer protection, service termination, contract provisions and low-income assistance.

Kaloko, Ahmed **Power 99: California & Pennsylvania Retail Market Development**, Pennsylvania Public Utility Commission, 1999

Electric restructuring comparison between California and Pennsylvania - customer participation rates, rate caps and rate reduction, competitive default service, stranded costs and securitization, divestiture of generation assets, power pools and ISOs, energy markets, transmission pricing, lessons learned and electric utility stock prices – 52 week.

Massachusetts Energy Buyers Coalition **News Release: State's Largest Energy Consumers Form The Massachusetts Energy Buyers Coalition**, 16 August 1999

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Milton, Susan Cape schools, towns unite for cheap heat **Cape Cod Times**, 12 June 1999

Reports that 20 Cape schools, town buildings and other public buildings will lower their gas heating bills by an estimated \$92,000 a year – based on a 13% discount based on a one year contract renewable for a further 12 months.

Montana Legislature (USA) **Senate Bill No 406 An Act Authorizing the Formation of buying cooperatives to purchase electricity for residential and small commercial customers in investor-owned distribution utility service territories in which those customers can choose an electricity supplier; authorizing the Public Service Commission to designate one or more default suppliers for electricity within an investor-owned distribution utility's service territory; amending sections 69-8-103, 69-8-201, and 69-8-403, MCA; and providing an immediate effective date, 1999**

National Energy Choice **News Release: Record-Setting Program Provides Municipalities, Small and Large Businesses Can Benefit from Electricity Deregulation**, 5 August 1999

National Energy Choice claims to have largest municipal aggregation program in the USA – achieving savings of between 5-15% below the scheduled utility standard offer supply rate. National Energy Choice has pooled the buying power of 118 municipalities in Massachusetts with 84 extended care facilities and 157 other businesses and non-profit groups.

National Energy Choice **News Release Eleven Chambers of Commerce Join Forces, Sign Exclusive Agreement with National Energy Choice to Receive Energy Savings**, 11 March 1999

Reports that Massachusetts Chamber Collaborative have signed with National Energy Choice for low-cost electricity, natural gas and energy efficiency. Eleven chambers make up the Collaborative.

National Energy Choice **Massachusetts Municipal Aggregation is Evaluating Six Energy Proposals**, 2 March 1998

Reports formation of ElderCARE Power Pool – a Massachusetts Extended Care Federation to facilitate the energy purchasing power of its 550 members.

National Rural Electric Co-operative Association **Electric Energy Consumer Bill of Rights**, 1999

This Electric Energy Consumer Bill of Rights was overwhelmingly approved by the membership of the USA's National Rural Electric Co-operative Association at its 57th Annual Meeting in March 1999.

National Rural Electric Co-operative Association **News Release: Consumers Need Protection From Restructuring Risk, NRECA Tells OMB** 16 October 1998

National Rural Electric Cooperative Association **NRECA Calls Consumer Aggregation a Hedge Against Market Power**, 28 July 1999

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NRECA CEO Glenn English argues that co-operatives aggregate consumers and ensure that they can leverage their market influence and benefit. Co-operatives have already been formed in California and New York.

National Rural Electric Cooperative Association (and Alliance to Protect Electricity Consumers) **Statement of Principles regarding Electricity Industry Deregulation**, 12 February 1998

National Rural Electric Co-operative Association **News Release: Ist Rochdale Cooperative Joins Touchstone Energy**, 19 August 1998

National Rural Electric Co-operative Association **NRECA CEO Comments After FERC Price Spike Hearing**, 17 August 1998

National Rural Electric Co-operative Association **Reason Replaces Ideology in Electricity Restructuring Debate**

National Rural Electric Co-operative Association Cooperative **Electric Utilities' Position on Industry Restructuring**

National Rural Electric Cooperative Association **Market Power, Mega Mergers Threaten Electric Utility Competition**

National Rural Electric Cooperative Association **America's Cooperative Electric Utilizes**

An overview of electric cooperatives in the USA – facts at a glance, net margins and capital credit, taxes paid by co-operatives, finance, rate regulation, research, statewide associations, national representation.

National Rural Electric Cooperative Association **On The Buying Side Of The Meter: A Consumer View of Electric Deregulation**

National Rural Electric Cooperative Association **Remarks of the National Rural Electric Cooperative Association Before the Hearing on Electric Utility Deregulation of the National Association of Attorneys-General**, 18 November 1997

Why rural electric cooperatives are different, universal service, market power, reliability and security in electricity supply and consumer education and information.

National Rural Electric Cooperative Association **Electric Industry Restructuring Scorecard June 1999**, June 1999

New Jersey Division of the Ratepayer Advocate **Municipal Aggregation (Rev)** Vol 1 No 2, April 1999

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Defines municipal aggregation and how it could benefit small consumers. Emphasises rates offered must be lower than existing utility rates, the municipality does not become involved in billing and servicing customers and that consumer membership is voluntary.

Pennsylvanians Flock to Cooperative Option, **1st Rochdale Record**, Volume 1 Issue 4, p 7

Pennsylvania Office of Consumer Advocate **Testimony of Irwin A. Popowsky, Consumer Advocate of Pennsylvania Regarding Retail Electricity Competition in Philadelphia before the Philadelphia City Council**, 27 May 1999

Pennsylvania Office of Consumer Advocate **Statistics Released by Consumer Advocate on Pennsylvania Electric Choice Program**, 10 March 1999

Numbers of consumers being served by alternative electricity suppliers after the first two months of the Pennsylvania Electric Choice Program as at 1 March 1999.

Pennsylvania Office of Consumer Advocate **PA Electric Shopping Statistics**, 1 July 1999

Report of a survey of Pennsylvania's electric distribution companies on the number and percentage of customers and customer load served by alternative generation suppliers by suppliers, residential, commercial and industrial consumers.

Popowsky, Sonny Pennsylvania Consumer Benefits from Electric Industry Restructuring and the Federal Role, **LEAP Letter**, May-June 1999

Argues consumers in Pennsylvania are protected against rate increases and cost shifting and universal programs to assist low-income consumers have been expanded. As at 1 April 1999 nearly 400,000 consumers, including 300,000 residential consumers, were being served by alternative generation suppliers. Residential consumers are saving between 2% and 10%. Issue is not number who have switched but whether consumers as a whole have benefited.

Public Citizen **Ohio Community Choice Shows Congress the Way**, 29 June 1999

Supports Ohio's legislation to deregulate retail electricity markets that allows cities, towns, villages and counties to work together to purchase electricity for residential consumers and small businesses. The legislation is modeled after a provision in Massachusetts' 1997 electric restructuring law.

Public Service Commission of Utah **Consumer Protection Report Public Service Commission of Utah to the Electrical Deregulation and Customer Choice Task Force**, 1 August 1998

An analysis for insuring consumer protection in a competitive environment which addresses the provision of a standard offer, the obligation to connect and serve, dispute resolution, consumer education, universal service, Safety and reliability, aggregation and regulation of electric service providers. Argue that ongoing protection for consumers is necessary but that there is disagreement as to whether this will be permanent or transitional. Recommends continuation of existing consumer protection with laws that protect against

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deceptive advertising, price discrimination and unfair business practices. Supports aggregation as helping the bargaining position of small consumers and, therefore, should be encouraged.

The Regulatory Assistance Project Presentation of Cheryl Harrington to the Massachusetts Electric Restructuring Roundtable, 12 March 1999

Default service – terminology, additional objectives, default price, public purpose of default, who provides default service, bidding options, price options and range of default prices.

The National Council on Competition and the Electric Industry Full Environmental Disclosure for Electricity Tracking and Reporting Key Information, May 1997

The National Council on Competition and the Electric Industry, Information Disclosure For Electricity Sakles: Consumer Preferences From Focus Groups, May 1997

The National Council on Competition and the Electric Industry Assessing Impacts of Restructuring on Small Business, Residential, and Low-Income Customers (Roger Colton), 1996

The National Council on Competition and the Electric Industry Customer Choice (Cheryl Harrington) 1996

The National Council on Competition and the Electric Industry Market Power in the Electric Utility Industry: An Overview (William Shepherd), 1997

The National Council on Competition and the Electric Industry Regional Issues in Restructuring the Electric Industry (Sue Tierney), 1998

The National Council on Competition and the Electric Industry Disclosure of Fuel Mix and Emissions by Retail Electric Service Providers: Issues of Confidentiality vs. Public Right to Know (Scott Hempling) July 1997

The National Council on Competition and the Electric Industry Information Disclosure for Electricity Sales Consumer Preferences from Focus Groups Report 2 – West Coast (Mario Teisi et al), 1997

The National Council on Competition and the Electric Industry Information Disclosure for Electricity Sales Consumer Preferences from Focus Groups Report 3 – Rocky Mountain West (Lynn Halverson & Edward Holt), 1997

The National Council on Competition and the Electric Industry Information Consumers Want in Electricity Choice: Summary of Focus Group Research (Edward Holt), January 1998

The Regulatory Assistance Project *Consumer Choice Making It Work for All Customers*, 1997

Discusses the prerequisites for choice, why customer choice is desirable, which customers should have choice first and how can policy makers insure small customers have choice – reasonable access fees, minimum certification requirements, access to customers versus protection of privacy, sharing of non-choosers and encourage aggregation. Argues real-time meters should not be a condition of choice. Customer protection issues identified are consumer education, disclosure of key information, standard offer and protection for customers.

The Regulatory Assistance Project *Information Disclosure for Effective Customer Choice*,

Explores ways for regulators to require that consumers be provided with important price, risk and environmental information with a focus on environmental information – why standardised information, price risk and environmental characteristics essential information, what would an environmental disclosure look like, when and how often will environmental disclosure occur, verification of disclosures.

The Regulatory Assistance Project *Least-Cost Paths to Reliability: Ten Questions for Policy Makers*

The importance of revealing the cost of reliability and putting accurate prices in front of consumers. Ten questions that each utility should be asked: How much do the proposed reliability improvements cost? Do wholesale prices reflect the high cost of energy during peak hours in a tight capacity market? How many customers see real-time prices? Do you have peak purchase rates for customer-generated power? How extensively have interruptible rates been marketed? How many customers have interruptible rates available, and how much are they effectively paid for interruptions? Have load-shedding cooperatives been organised? Does your spot market include a bidding system for demand-side reductions? What are you doing to facilitate a competitive wholesale market and remove barriers to competitive wholesale suppliers? Have you identified and aggressively implemented energy efficiency programs to mitigate peak load demand? Do you have a system in place to request (and pay for) voluntary curtailments?

Union Energy

Trade Union Congress, U.K.

- **Energy Matters**, Issue 1
- **Energy Supply Application**
- **Gas & Electricity Offer Prices To Save You Money**, 7 September 1998
- **How it Will Work: 1998 and All That**
- **Peace of Mind with Free Payment Protection Cover Worth up to 400 pounds**, 1998
- **Summary of Supply Agreement with Scottish Power Plc**, November 1997
- **Switch to Union Energy: Cheaper Gas and Electricity – Greater Rewards**, 1998
- **Union Energy – Background**
- **Union Energy General Council Report**, Section 12.6, 1997
- **Union Energy General Council Report**, Section 15.9, 1998
- **Union Energy Powers Into UK Homes With Scottish Power**, 24 November 1997

Utah Division of Public Utilities Aggregation, Power marketers and the Obligation to Serve and Connect Comments Submitted to the Electrical Deregulation And Customer Choice Legislative Task Force, 14 August 1997

Argues that the participation of independent aggregators and power marketers could increase competition but some concerns of their participation and behavior have arisen in other jurisdictions e.g. independent suppliers selling power at less than cost to establish market share, some independent suppliers have failed to deliver and some utilities may have power marketing affiliates.

Utah Division of Public Utilities Competition and Market Power Comments Submitted to the Electrical Deregulation and Customer Choice Legislative Task Force, 22 July 1997

A definition and analysis of competition and market power including the benefits of competition and market power problems – perfect competition and workable competition. Argues that the potential for market power abuse is real and that until competition in the generation of electricity proves to be both effective and sustainable, then, the benefits of competition will be imaginary.

Utah State Legislature Report of The Electrical Deregulation and Customer Choice Task Force, 18 November 1998

Report of a study of the possibility of restructuring Utah's electric industry. Over a two-year period the task force met over 20 times. The task force examines many issues that it considered critical to implementing a restructuring plan – aggregation, consumer issues, electric power marketers, environmental issues, market power, municipalities, rural electric co-operatives, taxation implications and transition costs

Utility Consumers Action Network Before the Public Utilities Commission of the State of California Rulemaking on the Commission's Own Motion to Solicit Comments and Proposals on Distributed Generation and Competition in OIR 98-12-015 Reply Comments of Utility Consumers Action Network (UCAN) on the Order Instituting Rulemaking.

Supports distributed generation options as important for small consumers and argues that distribution companies should be prohibited from installing distributed generation on the customer side of the meter.

Utility Consumer Action Network (UCAN) Comments on Staff Report on the CPUC's Consumer Protection Role (sic) and responsibilities, 12 October 1998

A criticism of the proposed consumer protection role and responsibilities of the California Public Utilities Commission that argues for a rethink of consumer protection as facilitating the needs of consumers and ensuring consumers participate.

Ward, Leo R. Nova Scotia Land of Cooperators, Sheed and Ward, 1942, p 56

A report on a tour of the Antigonish co-operative movement in Nova Scotia, Canada – interviews with co-operators and descriptions of co-operatives.